STATE OF ARIZONA FILED

JUL 29 2011

STATE OF ARIZONA

DEPARTMENT OF INSURANCE

DEPT OF INSURANCE BY

In the Matter of:

Docket No. 11A-100-INS

HOMESITE INDEMNITY COMPANY,

CONSENT ORDER

NAIC # 20419,

Respondent.

Examiners for the Department of Insurance (the "Department") conducted a target market conduct examination of Homesite Indemnity Company ("HIC"). In the Report of Target Market Conduct Examination of the Market Conduct Affairs of Homesite Indemnity Company, the examiners allege that HIC, violated A.R.S. §§20-443, 20-461, 20-462, 20-466.03, and 20-2110.

Homesite Indemnity Company wishes to resolve this matter without formal proceedings, admits that the following Findings of Fact are true, and consents to the entry of the following Conclusions of Law and Order.

FINDINGS OF FACT

- 1. Homesite Indemnity Company is authorized to transact property and casualty insurance pursuant to a Certificate of Authority issued by the Director.
- 2. The Director authorized the examiners to conduct a target market conduct examination of Homesite Indemnity Company. The examination covered the time period from January 1, 2010 through December 31, 2010 and concluded on May 17, 2011. Based on their findings, the examiners prepared the "Report of Target Market Conduct Examination of Homesite Indemnity Company" dated December 31, 2010.
- 3. The examiners reviewed 50 of 111 homeowner non-renewals and 110 of 493 homeowner cancellations, non-renewed or cancelled for underwriting reasons

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during the time frame of the examination and found that HIC failed to provide a compliant Summary of Rights to 13 non-renewed and 69 cancelled homeowner policyholders.

- 4. The examiners reviewed 50 of 2,336 homeowner policies cancelled for non-payment of premium during the time frame of the examination and found that HIC failed to mail cancellation notices at least 10 days prior to the effective date of the cancellation, as required by the Company's own policy form, to 3 policyholders.
- 5. The examiners found one claim denial letter, used by the Company during the time frame of the examination that failed to contain a fraud warning notice in at least twelve-point type.
- 6. The examiners reviewed 50 of 1,348 homeowner claims settled during the time frame of the examination and found that HIC failed to correctly calculate and pay the Transaction Privilege Tax on 30 homeowner settlements.
- 7. Following the examiner review of the Company's homeowner claim settlement practices, HIC resettled 30 homeowner claims which resulted in restitution payments to insureds of \$7,835.54, plus \$369.67 interest. During the review the Company also made additional restitution of \$250.00, plus interest of \$13.08, to one insured not reimbursed their deductible following subrogation recovery.

CONCLUSIONS OF LAW

- 1. Homesite Indemnity Company violated A.R.S. §20-2110 by failing to provide insureds with a compliant Summary of Rights in the event of an adverse underwriting decision.
- 2. HIC violated A.R.S. §20-443(A)(1) by failing to mail non-payment cancellation notices at least 10 days prior the effective date of the cancellation, as required by the Company's own policy form.

- 3. HIC violated A.R.S. §20-466.03 by using a claim form that failed to contain the fraud warning notice in at least twelve-point type.
- 4. HIC violated A.R.S. §§20-461 and 20-462(A) by failing to correctly calculate and pay the Transaction Privilege Tax on homeowner claim settlements.
- 5. Grounds exist for the entry of the following Order in accordance with A.R.S. §§20-220, 20-456 and 20-2117.

ORDER

IT IS HEREBY ORDERED THAT:

- 1. Homesite Indemnity Company shall:
- a. provide insureds with a compliant Summary of Rights in the event of an adverse underwriting decision.
- b. mail non-payment cancellation notices to insureds at least 10 days before the effective date of cancellation.
 - c. use claim forms that contain a compliant fraud warning notice.
- d. correctly calculate and pay the Transaction Privilege Tax on homeowner claim settlements.
- 2. Within 90 days of filed date of this Order, the Company shall complete a self-audit of the remaining 1,298 homeowner claims settled during the time frame of the examination and make additional restitution payments, with interest due, on all homeowner claims where the Company failed to correctly calculate and fully the Transaction Privilege Tax in claim settlements.
- 3. Within 90 days of the filed date of this Order, Homesite Indemnity Company shall submit to the Arizona Department of Insurance, for approval, evidence that HIC implemented corrections and communicated these corrections to the appropriate personnel, regarding the issues outlined in Paragraphs 1 and 2 of the

Order section of this Consent Order. Evidence of corrective action and communication thereof includes, but is not limited to, memos, bulletins, E-mails, correspondence, procedures manuals, print screens, and training materials.

- 4. The Department shall, through authorized representatives, verify that Homesite Indemnity Company has complied with all provisions of this Order.
- 5. Homesite Indemnity Company shall pay a civil penalty of \$19,000.00 to the Director for remission to the State Treasurer for deposit in the State General Fund in accordance with A.R.S. §20-220(B). Homesite Indemnity Company shall submit the civil penalty to the Market Oversight Division of the Department prior to the filing of this Order.
- 6. The Report of Target Market Examination of Homesite Indemnity Company of December 31, 2010, including the letter with their objections to the Report of Examination, shall be filed with the Department upon the filing of this Order.

DATED at Arizona this 28th day of July , 2011.

Christina Urias Director of Insurance

CONSENT TO ORDER

- Homesite Indemnity Company has reviewed the foregoing Order.
- 2. Homesite Indemnity Company admits the jurisdiction of the Director of Insurance, State of Arizona, admits the foregoing Findings of Fact, and consents to the entry of the Conclusions of Law and Order.
- 3. Homesite Indemnity Company is aware of the right to a hearing, at which it may be represented by counsel, present evidence and cross-examine witnesses. Homesite Indemnity Company irrevocably waives the right to such notice and hearing and to any court appeals related to this Order.
- 4. Homesite Indemnity Company states that no promise of any kind or nature whatsoever was made to it to induce it to enter into this Consent Order and that it has entered into this Consent Order voluntarily.
- 5. Homesite Indemnity Company acknowledges that the acceptance of this Order by the Director of the Arizona Department of Insurance is solely for the purpose of settling this matter and does not preclude any other agency or officer of this state or its subdivisions or any other person from instituting proceedings, whether civil, criminal, or administrative, as may be appropriate now or in the future.

6. Dengers A. Baffin , who holds the office of President of Homesite Indemnity Company, is authorized to enter into this Order for them and on their behalf

HOMESITE INDEMNITY COMPANY

7 (20) 11 Date

Ву

1	COPY of the foregoing mailed/delivered
2	this 29th day of July, 2011, to:
3	Gerrie Marks
4	Deputy Director Mary Butterfield
5	Assistant Director Consumer Affairs Division
6	Helene I. Tomme Market Examinations Supervisor
7	Market Oversight Division Dean Ehler
8	Assistant Director Property and Casualty Division
9	Steve Ferguson
10	Assistant Director Financial Affairs Division
11	David Lee Chief Financial Examiner
12	Alexandra Shafer Assistant Director
13	Life and Health Division Chuck Gregory
14	Special Agent Supervisor
15	Investigations Division
16	DEPARTMENT OF INSURANCE
17	2910 North 44th Street, Suite 210 Phoenix, AZ 85018
18	
19	Maureen Fidler, Compliance Officer
20	Homesite Group Incorporated 99 Bedford Street
21	Boston, MA 02111
22	
23	
24	Currey Burton
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